

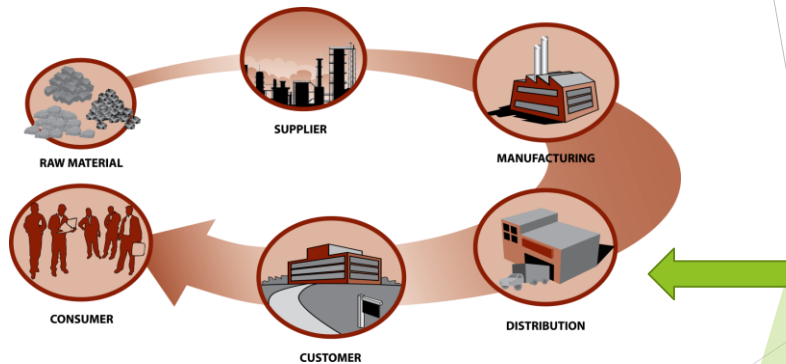
# Finding the Balance: People, Product, and Profitability

Jason Bader, Principal  
The Distribution Team



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## Traditional Supply Chain



***Get me what I need when I need it!***

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## Distributors Add Value

- ▶ Local inventory
- ▶ Breadth of product
- ▶ Trained staff
- ▶ Delivery services
- ▶ Warranty processing
- ▶ Bid assistance
- ▶ Credit lines
- ▶ Market knowledge
- ▶ Solutions providers



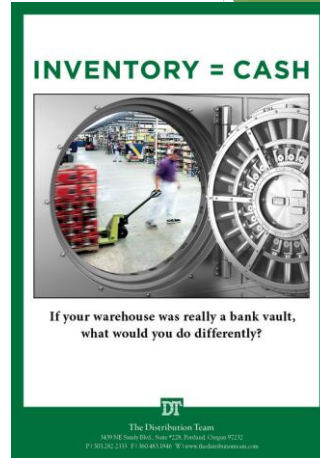
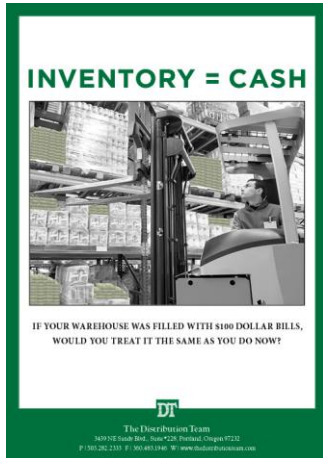
3

## Changing the Mindset



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## Changing the Mindset



## Hunting for Cash



## Driving Net Profit

- ▶ Open the kimono
- ▶ Walk through income statement
- ▶ Get everyone on board



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## Cost of Mistakes



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## Cost of Mistakes

What does a \$100 mistake really cost?

$$\text{\$100} \div \text{.02} = \text{\$5000}$$

(net before taxes %)

Every time a distributor makes a **\\$100** mistake, they must generate an additional **\\$5000** in sales to pay for it.

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## Building a Branch Scorecard

- ▶ Gross Margin Dollars / Day
- ▶ Gross Margin Percentage
- ▶ Gross Margin Dollars / Ticket
- ▶ Lines per Order
- ▶ Backorders in Top 200
- ▶ Gross Margin Dollars / Employee

*Set Team Based Reward for Performance*



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## Measuring for Reward

### SMART

- ▶ Keep criteria simple / specific
  - ▶ Easy to measure
  - ▶ Attainable
  - ▶ Relevant
  - ▶ Pay timely - monthly
- 
- ▶ No more than 5 at a time
  - ▶ Rotate if necessary
  - ▶ Consider team incentives



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## Managing the Team

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## Setting the Expectation **Isn't 95% good enough?**

Take order + pick order + pack order + deliver order + send invoice  
**.95 x .95 x .95 x .95 x .95 = 77%**

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*Internal customer service drives the “zero defect” ideal*

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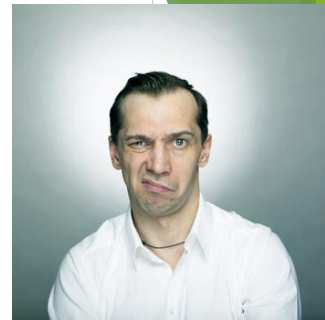
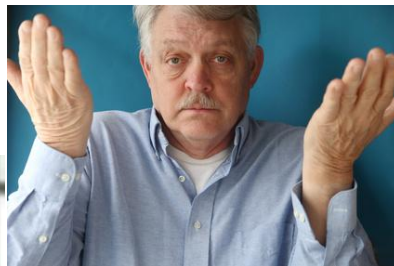
## Building Relationships

*Trying to build relationships without effective communication is like trying to fire a gun without any bullets.*



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## Non-Verbal Communication



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## Non-Verbal Communication

- ▶ How you say something matters
  - ▶ Posture
  - ▶ Gestures
  - ▶ Pitch
  - ▶ Volume
  - ▶ Eye contact



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## Communication Challenges

- ▶ In a hurry
- ▶ Fail to listen
- ▶ Don't ask questions
- ▶ We think others have the same perspective
- ▶ We think people can read our mind
- ▶ **Generational differences**



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## Generational Differences

Baby Boomers: *Born 1946 - 1964*

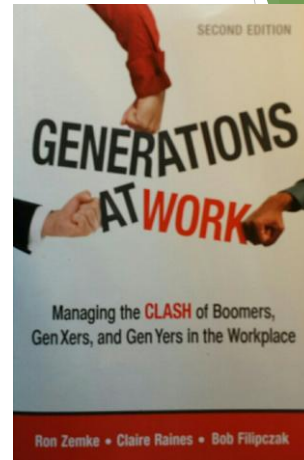
Generation X: *Born 1965 - 1980*

Generation Y: *Born 1981 - 1996*

Generation Z: *Born 1997 - 2012*

More Info at:

[www.generationsatwork.com](http://www.generationsatwork.com)



## Boomers

- ▶ Core Values
  - ▶ Optimism
  - ▶ Personal gratification
  - ▶ Personal growth
  - ▶ Youth
  - ▶ Work
  - ▶ Involvement



## Generation X

- ▶ Core Values
  - ▶ Diversity
  - ▶ Think globally
  - ▶ Balance
  - ▶ Techno-literacy
  - ▶ Fun
  - ▶ Informality
  - ▶ Self-reliance
  - ▶ Pragmatism



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## Generation Y

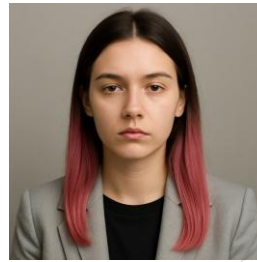
- ▶ Core Values
  - ▶ Optimism
  - ▶ Civic duty
  - ▶ Achievement
  - ▶ Confidence
  - ▶ Sociability
  - ▶ Diversity



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## Generation Z

- ▶ Observations
  - ▶ The 8 second BS filter
  - ▶ Full time brand managers
  - ▶ Entrepreneurial - pragmatic
  - ▶ Long term planners
  - ▶ Expect justice / fair play
  - ▶ The “Stare”



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## Words that Provoke

- ▶ No
- ▶ Can't
- ▶ You must
- ▶ It's our policy
- ▶ It's your fault
- ▶ It's not my job
- ▶ Constructive criticism



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## Words that Diffuse

- ▶ I'm sorry this happened
- ▶ I'll take care of this
- ▶ I understand why you are upset
- ▶ I'll check into this right away
- ▶ *How can I make this right?*



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## Time Management



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## End of Day

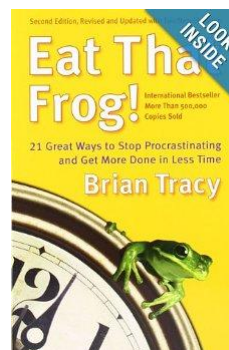
- ▶ Plan the next day
  - ▶ Open items
  - ▶ Challenges
  - ▶ Successes
- ▶ Sharpen the saw



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## Eat That Frog

- ▶ Concentrate on the biggest frogs first
- ▶ Avoid clearing tasks
- ▶ Focus on the most net profitable items



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## Prioritize

- ▶ A - Must do
- ▶ B - Should do
- ▶ C - Nice to do
- ▶ D - Delegate
- ▶ E - Eliminate
- ▶ P - Parking Lot



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## Delegation vs Empowerment

- ▶ Delegation
  - ▶ Explanation of method
  - ▶ Does all the thinking
- ▶ Empowerment
  - ▶ Giving the opportunity to figure it out
  - ▶ Allows for multiple paths to the goal



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## Empowering Your Team

- ▶ Avoid being Mr. Fixit
- ▶ Ask questions
  - ▶ How would you handle it?
  - ▶ What do you think?
- ▶ Support alternative methods
- ▶ Be a coach



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## Managing Customer Profitability

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## Driving Net Profit

- ▶ Customer Service Expense
  - ▶ Prevent unnecessary transfers
    - ▶ Ask questions before spending the money
      - ▶ When
      - ▶ How much
      - ▶ Substitute
      - ▶ Expedite fees
      - ▶ Are you *worthy*?



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## Customer Profitability

- ▶ Are all customers created equal?
- ▶ Who are your top customers?
- ▶ Who are the most profitable?
- ▶ Who deserves our premier services?



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## Customer Profitability

### Annual Report

Customer Name	Sales \$	COGS \$	Gross Margin	#of Orders	C.O.P.O	Product of # X C.O.P.O	Contr. To Net Profit
XYZ	5000	3000	2000	10	40	\$400	\$1,600
ABC	4000	2000	2000	20	40	\$800	\$1,200
HGS	7000	4000	3000	50	40	\$2000	\$1,000
TBS	5000	3850	1150	30	40	\$1,200	(\$50)
VGT	8000	5400	2600	70	40	\$2,800	(\$200)
BLM	7000	4900	2100	60	40	\$2,400	(\$300)
ACM	9000	7000	2000	60	40	\$2,400	(\$400)
FIR	9000	7500	2500	75	40	\$3,000	(\$500)
DOG	5000	4000	1000	40	40	\$1,600	(\$600)
BUM	6000	4500	1500	60	40	\$2,400	(\$900)

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Cool Guys

OK Dudes

Bloodsuckers

## Customer Profitability

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ABC	4000	2000	2000	20	40	\$800	\$1,200	37
HGS	7000	4000	3000	50	40	\$2000	\$1,000	41
TBS	5000	3850	1150	30	40	\$1,200	(\$50)	43
VGT	8000	5400	2600	70	40	\$2,800	(\$200)	41
BLM	7000	4900	2100	60	40	\$2,400	(\$300)	56
ACM	9000	7000	2000	60	40	\$2,400	(\$400)	53
FIR	9000	7500	2500	75	40	\$3,000	(\$500)	61
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DOG	5000	4000	1000	40	40	\$1,600	(\$600)	94
BUM	6000	4500	1500	60	40	\$2,400	(\$900)	124

## Customer Profitability

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XYZ	5000	3000	2000	10	40	\$400	\$1,600	38
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## Selling Deeper

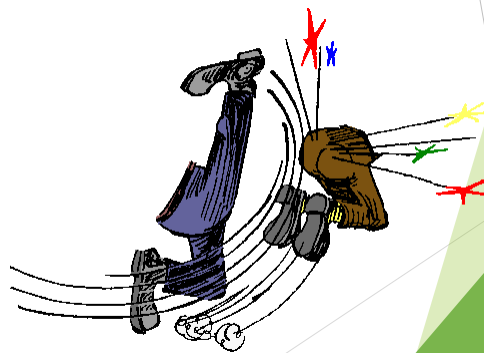
- ▶ Promote Category Participation
  - ▶ How many categories do your top customers participate in?
  - ▶ Provides sales direction
  - ▶ *Bonus: Apply to Salespeople*



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## Customer Profitability

- ▶ Cultivate your A level customers
- ▶ Adjust your B level customers
- ▶ Eliminate your C level customers



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## Keys to Profitable Distribution

- ▶ Raise your prices - 1% in GP means a lot
- ▶ Create simple branch performance scorecards
- ▶ Improve your lines per order ratio
- ▶ Create short term goals with rewards
- ▶ Get rid of unproductive inventory
- ▶ Segregate customers by net profit
- ▶ Drive sales in unproductive product categories
- ▶ Get your team members thinking again
- ▶ Never underestimate an associate's capacity to learn

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## Finding Jason

Jason@Distributionteam.com **(Best way)**

Distribution Executive Coaching / Consulting

Monthly E-Newsletter *Inventory Counts*

*Sister Company - Connected Peers*

Podcast "*Distribution Talk*" - Check it out!!



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